

**FILED**

**FEB 11 1999**

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NORTH CAROLINA  
RALEIGH DIVISION

PEGGY B. DEANS, CLERK  
U.S. BANKRUPTCY COURT  
EASTERN DISTRICT OF N.C.

IN THE MATTER OF	)	CASE NO. 98-02675-5-ATS
-OF-	)	
INTERNATIONAL HERITAGE, INC.	)	CHAPTER 7
(TAX ID #56-1921093)	)	
	)	
INTERNATIONAL HERITAGE,	)	CASE NO. 98-02674-5-ATS
INCORPORATED	)	
(TAX ID #87-0421191)	)	CHAPTER 7
	)	
Debtors	)	

RESPONSE TO APPLICATION OF TRUSTEE TO  
ENTER INTO STIPULATION AND CONSENT TO  
FINAL JUDGMENT OF PERMANENT INJUNCTION

COME NOW the above-named debtors, by and through counsel of record, and hereby respond to the Application of Trustee to Enter Into Stipulation and Consent to Final Judgment of Permanent Injunction ("Application") filed by Holmes P. Harden, Trustee, for the debtors, as follows:

1. The debtors filed for relief on November 25, 1998 and Holmes P. Harden was appointed Trustee.
2. With regard to the Application, the Trustee states in paragraph 2 that "The payment bond inures to the benefit of the Commission and is not property of either bankruptcy estate." While the debtors do not disagree that the **bond** is not property of the bankruptcy estates, ACSTAR Insurance Company is holding \$3,500,000 of funds of International Heritage, Inc. as security for the bond. These funds are property of the estate in that, according to the bond, they would revert to said debtor's estate if the Securities and Exchange Commission failed to obtain a judgment for damages or other monetary relief against the debtors.

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3. The Trustee indicates that as part of the settlement, he agrees to waive the attorney-client privilege as to prepetition advice the debtors received from their attorneys. The debtor engaged numerous attorneys to assist in its various legal affairs. While the debtor understands and acknowledges that the Trustee is entitled to waive the attorney-client privilege to review any and all documents and discover information regarding communications between the debtors and their counsel, the debtor objects to the Trustee exposing debtors' counsel to any and all requests for privileged information from the Securities and Exchange Commission. The debtors recognize that the Trustee is seeking to recover a substantial sum through the bond in order to pay creditors, but the debtors do not believe that their attorneys and other defendants should be left totally exposed in the process.

WHEREFORE, the debtors respectfully request that the court consider this response prior to ruling on the Trustee's motion.

RESPECTFULLY submitted, this the 8th day of February, 1999.

  
\_\_\_\_\_  
Terri L. Gardner  
NC State Bar No. 9809  
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-OF-	)	
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INCORPORATED	)	
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	)	
Debtors	)	

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CERTIFICATE OF SERVICE

The undersigned hereby certifies under penalty of perjury that she is over eighteen (18) years of age and the Response To Application Of Trustee To Enter Into Stipulation And Consent To Final Judgment Of Permanent Injunction was this day served upon the below named persons, parties and/or counsel by mailing, postage prepaid, first class mail, a copy of such instruments to such persons, parties and/or counsel at the address shown below:

Ms. Marjorie K. Lynch  
Bankruptcy Administrator  
P. O. Box 3039  
Century Station  
Raleigh, NC 27602-3039

Mr. Holmes P. Harden  
Maupin Taylor & Ellis, P.A.  
P. O. Drawer 19764  
Raleigh, NC 27619

Mr. William P. Hicks  
U.S. Security & Exchange Commission  
Atlanta District Office  
Suite 1000  
3475 Lenox Rd.  
Atlanta, GA 30326

Mr. Brent E. Wood  
Attorney at Law  
P. O. Box 164  
Raleigh, NC 27602

Mr. Stan Van Etten  
Mayflower Capital, LLC  
2626 Glenwood Ave., Suite 100  
Raleigh, NC 27608

Dated: 2/8/99

A handwritten signature in black ink, reading "Terri L. Gardner", is written over a horizontal line.

Terri L. Gardner  
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